offering an annuity to at least one investor, wherein said financial service provider charges a periodic fee over a predetermined period to said investor for said annuity;

determining a value for said annuity at the end of said period;

a'

declaring a periodic dividend for said annuity;

subtracting said periodic fee from said periodic dividend; and

calculating a new value for said annuity.

3. (Amended) The method of claim 2, further comprising the step of reinvesting any remaining periodic dividend back into said annuity.

4. (Amended) The method of claim 1, wherein said annuity is comprised of individual units, each unit having an equal value and said dividend is declared on a per unit basis.

a2

5. (Amended) The method of claim 1, wherein said annuity is a variable annuity.

6. (Amended) A method of providing an annuity to a plurality of investors comprising the steps of:

determining a record date value of an annuity at an end of a predetermined period;

B' Cont

declaring a dividend of a predetermined amount based upon the record date value;

determining a pre-dividend value of the annuity on a dividend pay date;

calculating a pay date value of the annuity by subtracting said dividend from said pre-dividend value;

subtracting a fee from said dividend on the pay date;

reinvesting any remaining dividend into said annuity at said pay date value; and

calculating a post dividend value of the annuity.

a2

7. (Amended) The method of claim 6, wherein said annuity is comprised of individual units each having an equal value and said record date value is the value of each individual unit of said annuity.

B1 cont.

8. (Amended) The method of claim 6, wherein said annuity includes at least one optional benefit and said fee is charged to each investor based upon the optional benefits selected by the individual investor.

a3

11. (Amended) A method for enabling a financial service provider to provide optional benefits to investors of an annuity, said method comprising the steps of:

offering one or more units of an annuity with at least one optional benefit;

determining a cost for each optional benefit per unit of the annuity;

enabling investors of said annuity to select or choose not to select at least one optional benefit;

determining a first value of said unit;

choosing a dividend amount per unit of the annuity that is at least as large as a maximum potential cost for said optional benefits;

declaring said dividend amount per unit;

calculating a pay date unit value for said unit by subtracting said dividend amount from said first value; and

subtracting the cost of any selected optional benefits from said dividend amount.

a4

13. (Amended) The method of claim 11, wherein said method further comprises the step of reinvesting any remaining dividend back into said account at said pay date unit value.

14. (Amended) A method of managing a variable annuity, wherein the variable annuity comprises a plurality of units each having an identical price and each unit being owned by at least one investor, said method comprising the steps of:

offering a variable annuity with a plurality of optional benefits to the investor;

determining a pre-dividend price per annuity unit;

a4

determining an option fee per annuity unit for each optional benefit and combination of optional benefits;

enabling the investor to select whether to include any of said plurality of optional benefits;

choosing a dividend amount per annuity unit that is at least as large as the maximum potential amount of said option fee for said optional benefits;

declaring said dividend amount;

calculating a post-dividend price per annuity unit;

subtracting said option fee for any selected optional benefits from said dividend amount; and

reinvesting any remaining dividend back into said variable annuity at said post-dividend price.

a5

16. (Amended) A method of accounting for the payment of fees associated with an annuity product, wherein the annuity product includes one or more optional benefits that may be selected by an investor, and the fees vary depending upon the optional benefits, if any, selected, said method comprising:

assessing a pre-dividend unit price for the annuity, wherein each unit is of equal value;

declaring a dividend amount for each unit of the annuity;

a5

subtracting at least a portion of the fee associated with the annuity from the dividend amount to result in a dividend remainder;

calculating a new unit price for the annuity by subtracting the dividend amount from the pre-dividend unit price; and

reinvesting the dividend remainder by purchasing additional units of the annuity at the new unit price.

17. (Amended) A method in accordance with Claim 16, wherein said annuity product is a variable annuity.

a6

20. (Amended) An annuity product comprising, one or more annuity units wherein at least a portion of the fee charged in association with the annuity is deducted from a dividend periodically declared for each annuity unit.

21. (Amended) An annuity product in accordance with claim 20, said product additionally comprising one or more optional benefits that can be selected by an investor, wherein an option fee charged for the annuity unit varies depending upon the optional benefits selected by the investor, and wherein the option fee is deducted from a dividend declared for each annuity unit.

REMARKS/ARGUMENTS

This Amendment and Response to Office Action is being submitted concurrently with a Petition for Extension of Time and the requisite fee. Claims 1-11 and 13-21 remain pending in this application for consideration. Claims 1, 3-8, 11, 13, 14, 16, 17, 20 and 21 have been

amended. Attached hereto is a marked-up version of the changes made to the claims by the current amendment. The attached page is captioned "Version With Markings to Show Changes Made."

Rejections Under 35 U.S.C. § 101

The Examiner rejected Claims 1-19 under 35 U.S.C § 101 on the basis that the claimed inventions are directed to non-statutory subject matter. Specifically, the Examiner asserted that the claimed methods comprise abstract ideas. Citing Diamond v. Diehr, 209 U.S.P.Q. 17 (1981), the Examiner stated that because the claimed methods "lack any ties to a technological art, these ideas read on a sequence of mental steps, a judicially created exception to subject matter eligible for patent protection."

The Applicant respectfully submits that the Supreme Court has acknowledged that Congress intended Section 101 to extend to "anything under the sun that is made by man." Diamond v. Chakrabarty, 206 U.S.P.Q. 193 (1980). While courts have held that mathematical algorithms are not patentable subject matter to the extent they are merely abstract ideas, the Federal Circuit has held that the determination of whether a claim encompasses statutory subject matter should focus on the essential characteristics of the subject matter, in particular, its practical utility. State Street Bank & Trust Co. v. Signature Financial Group Inc., 47 U.S.P.Q.2d 1596 (Fed. Cir. 1998).

In State Street the Federal Circuit noted that "after Diehr and [In re Alappat, 31 U.S.P.Q.2d 1545], the mere fact that a claimed invention involves inputting numbers, calculating numbers, outputting numbers, and storing numbers, in and of itself, would not render it nonstatutory subject matter, unless, of course, its operation does not produce a 'useful, concrete and tangible result.'" State Street at 1602. Thus, a claim can encompass statutory subject matter,

even if the useful result is expressed in numbers, such as price, profit, percentage, cost or loss. Id.

In this case, Independent Claims 1, 6, 11, 14 and 16 have been amended to set forth a method of enabling a financial service provider to provide an annuity. Specifically, the Claims are directed towards useful, novel, and non-obvious methods of collecting periodic fees and/or optional benefit fees associated with annuities. As such, Applicant respectfully asserts that each of the methods of Independent Claims 1, 6, 11, 14 and 16 produces a useful, concrete and tangible result.

The method of Claim 1 requires a financial service provider to declare a dividend and subtract a periodic fee from that dividend. The financial service provider then calculates a new value of the annuity. Applicant respectfully asserts that this calculation, when applied to an annuity, produces a useful, concrete and tangible result. Specifically, the periodic fees associated with the annuity are collected through the declared dividend and a new value of the annuity is determined. Thus, Claim 1 is directed to statutory subject matter.

The method of Claim 6 requires a financial service provider to declare a dividend and subtract a fee from that dividend. The financial service provider must then reinvest any remaining dividend into the annuity and calculate the new value of the annuity. Applicant respectfully asserts that these steps, when applied to an annuity, produce a useful, concrete and tangible result. Specifically, the fees associated with the annuity are collected through the declared dividend and a new value of the annuity is calculated. Thus, Claim 6 is directed to statutory subject matter.

The method of Claim 11 requires a financial service provider to calculate a first value of the annuity on a per unit basis. Next, the financial service provider must declare a dividend and

calculate a new unit value on the pay date of the dividend. Once the dividend is paid, the financial service provider must subtract the cost of any optional benefits each investor selected from the declared dividend. Applicant respectfully asserts that this calculation, when applied to an annuity, produces a useful, concrete and tangible result. Specifically, the optional benefit fees associated with the annuity are paid through the declared dividend and a pay date unit value is calculated. Thus, Claim 11 is directed to statutory subject matter.

The method of Claim 14 requires a financial service provider to determine a dividend amount that is at least as large as the maximum potential amount of the option fees for a variable annuity. The financial service provider must then declare the dividend, subtract the option fee for any selected optional benefit from the dividend and reinvest any remaining dividend back into the variable annuity. Applicant respectfully asserts that these steps, when applied to a variable annuity, produce a useful, concrete and tangible result. Specifically, the optional benefit fees associated with a variable annuity are paid through the declared dividend and a post dividend unit price is calculated. Thus, Claim 14 is directed to statutory subject matter.

The method of Claim 16 requires a financial service provider to assess a pre-dividend unit price for the annuity. Next, the financial service provider must declare a dividend for each unit of the annuity and subtract at least a portion of the fees associated with the annuity from the dividend amount. Then, the financial service provider must calculate the new unit price for the annuity by subtracting the dividend amount from the pre-dividend unit price. Applicant respectfully asserts that these steps, when applied to an annuity, produce a useful, concrete and tangible result. Specifically, the fees associated with the annuity are paid through the declared dividend and a new unit price for the annuity is calculated. Thus, Claim 16 is directed to statutory subject matter.

In light of the arguments above, Applicant respectfully asserts that each claim is directed towards and encompasses statutory subject matter.

Rejections Under 35 U.S.C. § 112

The Examiner rejected Claims 20-21 under 35 U.S.C § 112 as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. Specifically, the Examiner stated the terms "financial security product" and "optional benefits" are unduly vague.

Applicant first notes that the term "financial security product" has been replaced with the term "annuity." Applicant requests that the Examiner's rejection be withdrawn as moot.

Applicant, respectfully asserts that the term "optional benefits" is neither vague or indefinite. On page 4, lines 7-10 of the Summary of the Invention, Applicant states that "optional benefits" may comprise any type of service, waiver, guarantee or other benefit offered in conjunction with an annuity. One skilled in the art of offering financial products would be well aware of the various optional benefits that could be offered to investors as part of an annuity package, including, but not limited those specifically listed on page 4, lines 9-10. Applicant respectfully requests the Examiner to withdraw his objection.

Rejections Under 35 U.S.C. § 103

The Examiner has rejected Claims 20-21 under 35 U.S.C § 103 as being unpatentable over the definitions in the Dictionary of Finance and Investment Terms.

The Reference cited by the Examiner defines a dividend as follows:

> Distribution of earnings to shareholders, prorated by class of security and paid in the form of money, stock , scrip or rarely, company products or property. The amount is decided by the board of directors and is usually paid quarterly.

> Dividends my be declared as income in the year they are received. Mutual fund dividends are paid out of income, usually on a quarterly basis from the fund's investments. The tax on such dividends depends on whether the distributions resulted from capital gains, interest income or dividends received by the fund.

The Dictionary of Finance and Investment Terms defines "dividend reinvestment plan" as follows:

> Automatic reinvestment of shareholder dividends in more shares of the company's stock. Some companies absorb most or all of the applicable brokerage fees, and some also discount the stock price. Dividend reinvestment plans allow shareholders to accumulate capital over the long term using dollar cost averaging. For corporations, dividend reinvestment plans are a means of raising capital funds without the flotation costs of a new issue.

Applicant first notes that Claim 20 has been amended to specifically describe the financial service product as an annuity. An annuity is generally recognized as a contract sold by a financial service provider designed to provide payments to the holder at specified intervals, usually after retirement. All capital in the annuity grows tax-deferred and an early withdrawal penalty often applies. All payments made from the annuity to the investor are taxed as ordinary income.

The definition cited by the Examiner describes a dividend as being declared from company earnings (in the case of stock) or from income (in the case of mutual funds). In both cases, there are specific reasons to declare a dividend. In the case of mutual funds, a dividend is declared in order to prevent the fund from having to pay taxes on income received from capital gains, interest income or dividends received by the fund. In the case of stock, the associated board of directors may want to distribute profits to its shareholders to keep them happy. In each case, the declaration of a dividend and any reinvestment is related to the underlying stock instrument.

In contrast, an annuity does not have an underlying stock instrument. As mentioned above, an annuity is a contract between an investor and a financial service provider. The contract is supported by a separate account and any underlying investment vehicles are separate from the contract. Without an underlying stock instrument, providers of annuities do not have any reason to declare a dividend. The annuity dividend is really an artificial dividend that exists for no purpose outside of its accounting function to pay the fees associated with the annuity. Thus, there is no motivation or suggestion to declare a dividend in an annuity product based upon dividends declared for other financial security products.

In addition, Applicant notes that payment of dividends for other types of financial security products has taxable consequences in the year the dividends are received. Unlike a dividend associated with stock or mutual funds, a dividend declared for an annuity is not a taxable event for either the financial service provider or the investor as long no money is withdrawn. Since annuity earnings are tax deferred, there is no tax reason for the financial service provider to declare a dividend. Declaring a dividend for the annuity would not change the contract nor change the tax status of the annuity holder. Thus, one skilled in the art would have no motivation based in the definitions included in the Dictionary of Finance and Investment Terms to structure a dividend reinvestment plan for an annuity.

In summary, Applicant respectfully submits that the Dictionary of Finance and Investment Terms does <u>not</u> suggest or motivate to one skilled in the art to structure a dividend investment plan to pay fees associated with an annuity. Thus, Claims 20-21 are patentable over this reference.

In view of the foregoing amendments and remarks, it is respectfully submitted that the claims are now in condition for allowance and eventual issuance. Such action is respectfully

requested. Should the Examiner have any further questions or comments which need be addressed in order to obtain allowance, he is invited to contact the undersigned attorney at the number listed below.

Acknowledgement of receipt is respectfully requested.

Respectfully submitted,

By: ______________________

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